Strategic Management
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Optional Review
Why Strategy?

• It’s about how businesses compete.
• How can you earn above average returns?

To do this, you consider:
• Selection of industries
• Selection of segments
• Choice of tactics
• How to IMPLEMENT!
Why You?

• You will be principals in firms
• You will have to decide what to do:
  – What markets?
  – What services?
  – Where to dedicate your time?
  – What kinds of people?
• You probably will be part of a team.
Why these tools?

Have a structure:
- Hold a linear conversation
- Handle lots of information
- Organize team thinking
- Lay out your assumptions
- Plan ACTION!

That helps you:
- Analyze
- Evaluate
- Argue
- DECIDE
- DO
My Planning Steps

1. What is going on - get the big picture
2. Review Mission – why are we here?
3. External Scan – what’s the landscape?
4. Internal Scrutiny - what are our strengths & weaknesses now?
5. Strategic Analysis – what could we do?
The AEC/EPC Value System:

- Owner/Operator
- Sponsor
- Designer
- Constructor
- Subcontractor
- Permanent Finance
- Owner/Operator
- End User
- Consultant
- Engineer
- Labor
- Material
- Building Product Manufacturer
- Distributor
- Project Finance
- Land and Permissions
- Permanent Finance
- End User
Analyzing Strategic Options: Key Concepts

**Industry Value System**
What roles do we play: now & proposed?

**Market Segmentation**
What can we sell to whom: Possibilities now & proposed?

**Attractiveness: 5 Forces**
What to whom: Analysis now & proposed

**Generic Strategies**
Having chosen what to whom, how?

**The Firm Value Chain**
Having chosen how, what details & budgets?
Indicators of Segment Profitability: “Five Forces” Model - M. Porter

Barriers to Entry | Barriers to Exit

Supplier Bargaining Power

Buyer Bargaining Power

Existing Rivalry

Availability of Substitutes

Attractiveness of an Industry or of a Segment is a function of these forces. Use them in selection of segments - and in defense of segments.